

**TWENTY-SIXTH JUDICIAL DISTRICT**  
**PUBLIC DEFENDER OFFICE**  
**BOSSIER AND WEBSTER PARISHES, LOUISIANA**  
**JUNE 30, 2012**

TWENTY-SIXTH JUDICIAL DISTRICT  
PUBLIC DEFENDER OFFICE  
BOSSIER AND WEBSTER PARISHES, LOUISIANA

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of the Twenty-Sixth Judicial District Public Defender Office, Bossier and Webster Parishes, provides an overview of the Office's financial activities for the year ended June 30, 2012. Please read it in conjunction with the Office's financial statements, which begin on Page 3.

### USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Public Defender Office as a whole and present a longer-term view of the Office's finances. For governmental activities, the fund statements tell how these services were financed in the short-term as well as what remains for future spending.

#### Reporting the Public Defender Office as a Whole

Our analysis of the Office as a whole begins on Page 3. One of the most important questions asked about the Office's finances is, "Is the Public Defender Office as a whole better off or worse off as a result of the period's activities?" The Statement of Net Assets and the Statement of Activities report information about the Office as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Office's *net assets* and changes in them. You can think of the Office's net assets - the difference between assets and liabilities - as one way to measure the Office's financial health, or *financial position*. Over time, *increases or decreases* in the Office's net assets are one indicator of whether its *financial health* is improving or deteriorating.

#### Reporting the Office's Most Significant Funds

The fund financial statements also begin on Page 3 and provide detailed information about the most significant funds - not necessarily the Office as a whole. Some funds may require to be established by State law and by bond covenants.

*Governmental funds (General Fund)* - All of the Office's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation included on the financial statements and in Note 1.

## THE PUBLIC DEFENDER OFFICE AS A WHOLE

The figures reflecting net assets can be used to indicate the Office's financial position at that time or over a period of time. At the close of the most recent fiscal period, the Office's net assets totaled \$854,963. Of this figure, \$440,890 (52%) is its investment in capital assets such as buildings, equipment, furniture, library, computers, etc. The remaining portion of net assets, \$414,073 (48%), is unrestricted assets that are available to provide services to the citizens the Office were established to serve in Bossier and Webster Parish. The Office's total net assets changed from June 30, 2011, decreasing by \$40,932, or 5%. Net assets are shown below.

|   | <u>Governmental Activities</u> |                |
|---|--------------------------------|----------------|
|   | <u>2012</u>                    | <u>2011</u>    |
| Current and other assets                        | 434,365                        | 448,829        |
| Capital assets                                  | <u>440,890</u>                 | <u>452,342</u> |
| Total assets                                    | 875,255                        | 901,171        |
| Current and other liabilities                   | <u>20,292</u>                  | <u>5,276</u>   |
| Total liabilities                               | 20,292                         | 5,276          |
| Net assets:                                     |                                |                |
| Invested in capital assets, net of related debt | 440,890                        | 452,342        |
| Unrestricted                                    | <u>414,073</u>                 | <u>443,553</u> |
| Total net assets                                | <u>854,963</u>                 | <u>895,895</u> |

## THE OFFICE'S FUNDS

The governmental activities of the Office include all activities of the Office as required by law and are funded by court costs, fees paid by defendants, and grants from the state LIDAB. Major expenditures of the Office, as well as revenues, for the year ended June 30, 2012 and 2011 are shown below.

|                                     | <u>Governmental Activities</u> |                  |
|-------------------------------------|--------------------------------|------------------|
|                                     | <u>2012</u>                    | <u>2011</u>      |
| Expenditures:                       |                                |                  |
| Salaries and related benefits       | 1,211,292                      | 1,304,377        |
| Operating services                  | 487,000                        | 607,754          |
| Travel and professional development | 14,967                         | 15,229           |
| Depreciation                        | <u>29,507</u>                  | <u>25,777</u>    |
| Total expenses                      | 1,742,766                      | 1,953,137        |
| Revenues:                           |                                |                  |
| Court costs (fines and forfeitures) | 811,384                        | 852,010          |
| Court ordered fees                  | 55,497                         | 55,814           |
| State grants                        | 832,998                        | 453,689          |
| Other income                        | <u>1,955</u>                   | <u>4,258</u>     |
| Total revenues                      | <u>1,701,834</u>               | <u>1,365,771</u> |
| Change in net assets                | (40,932)                       | (587,366)        |
| Net assets, beginning of year       | <u>895,895</u>                 | <u>1,483,261</u> |
| Net assets, end of year             | <u>854,963</u>                 | <u>895,895</u>   |

Total revenues increased \$336,063, from total revenues in 2011 of \$1,365,771 to total revenues of \$1,701,834 in 2012. The increase in revenue was attributable to the increase in state funds.

In addition, total expenses decreased by \$210,371 from total expenses in 2011 of \$1,953,137 to total expenses of \$1,742,766 in 2012. This decrease was attributable to an office remodel which occurred in the prior year, and a decrease in salaries.

### **CAPITAL ASSET ADMINISTRATION**

The Office's capital asset investment assists in carrying out the mandated functions of the Office. This investment, net of allowance for depreciation, as of June 30, 2012 was \$440,890. This investment includes buildings, equipment, and fixtures. There were capital asset additions for the year ended June 30, 2012 in the amount of \$18,055, which consisted of additional computer equipment.

### **CONTACTING THE OFFICE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Office's finances and to show the Office's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Twenty-Sixth Judicial District Public Defender Office's office at 211 Burt Boulevard, Benton, Louisiana, 71006.

**AUDITED FINANCIAL STATEMENT**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 29, 2012

The Chief Defender  
Twenty-Sixth Judicial District Public Defender Office  
Bossier and Webster Parishes, Louisiana

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and the major fund of the Twenty-Sixth Judicial District Public Defender Office as of and for the year ended June 30, 2012, which collectively comprise the Office's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Twenty-Sixth Judicial District Public Defender Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Twenty-Sixth Judicial District Public Defender Office as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through iii and 14 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

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supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Heard, McElroy & Vistal, LLC*

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDER OFFICE

GOVERNMENT WIDE STATEMENT OF NET ASSETS

JUNE 30, 2012

| <u>A S S E T S</u>                                | <u>Governmental<br/>Fund<br/>Balance<br/>Sheet</u> | <u>Adjustments</u> | <u>Statement of<br/>Net Assets</u> |
|---|--|--------------------|------------------------------------|
| Cash  | 57,530   | -                  | 57,530                             |
| Investments                                       | 321,226  | -                  | 321,226                            |
| Receivables                                       | 55,609   | -                  | 55,609                             |
| Capital assets, net of allowance for depreciation | <u>-</u>   | <u>440,890</u>     | <u>440,890</u>                     |
| Total assets                                      | <u>434,365</u>                                     | <u>440,890</u>     | <u>875,255</u>                     |
| <u>LIABILITIES AND FUND EQUITY</u>                |  |                    |                                    |
| <u>Liabilities:</u>                               |  |                    |                                    |
| Accounts, salaries, and other payables            | 20,292   | -                  | 20,292                             |
| <u>Fund equity:</u>                               |  |                    |                                    |
| Unassigned  | 414,073  | (414,073)          | -                                  |
| Net assets  |  |                    |                                    |
| Invested in capital assets, net of related debt   | -  | 440,890            | 440,890                            |
| Unrestricted                                      | <u>-</u>   | <u>414,073</u>     | <u>414,073</u>                     |
| Total fund equity                                 | <u>414,073</u>                                     | <u>440,890</u>     | <u>854,963</u>                     |
| Total liabilities and fund equity                 | <u>434,365</u>                                     | <u>440,890</u>     | <u>875,255</u>                     |

The accompanying notes are an integral part of the financial statements.

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDER OFFICE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

|  | Governmental<br>Fund<br>Statement of<br>Revenues and<br><u>Expenditures</u> | <u>Adjustments</u> | Statement of<br><u>Activities</u> |
|--|---|--------------------|-----------------------------------|
| <u>Expenditures/Expenses:</u>                                    |   |                    |                                   |
| Judiciary:   |   |                    |                                   |
| Personal services  | 962,108   | -                  | 962,108                           |
| Related benefits   | 249,184   | -                  | 249,184                           |
| Travel and professional development                              | 14,967  | -                  | 14,967                            |
| Operating services   | 505,055   | (18,055)           | 487,000                           |
| Depreciation   | -   | 29,507             | 29,507                            |
| Total expenditures/expenses                                      | 1,731,314   | 11,452             | 1,742,766                         |
| <u>Program revenues:</u>   |   |                    |                                   |
| Charge for services  | 55,497  | -                  | 55,497                            |
| Other charges  | 811,384   | -                  | 811,384                           |
| Net program revenues   | 866,881   | -                  | 866,881                           |
| <u>General revenues:</u>   |   |                    |                                   |
| State grants   | 832,998   | -                  | 832,998                           |
| Investment earnings  | 1,955   | -                  | 1,955                             |
| Total general revenues   | 834,953   | -                  | 834,953                           |
| <u>Excess of revenues (under) expenditures/<br/>    expenses</u> | (29,480)  | (11,452)           | -                                 |
| <u>Change in net assets</u>                                      | -   | -                  | (40,932)                          |
| <u>Fund equity/net assets:</u>                                   |   |                    |                                   |
| Beginning of year  | 443,553   | 452,342            | 895,895                           |
| End of year  | 414,073   | 440,890            | 854,963                           |

The accompanying notes are an integral part of the financial statements.

TWENTY-SIXTH JUDICIAL DISTRICT  
PUBLIC DEFENDER OFFICE  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

**Introduction**

The Twenty-Sixth Judicial District Public Defender Office was established in compliance with Louisiana Revised Statutes 15:144-149 to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The Judicial District encompasses the parishes of Bossier and Webster, Louisiana.

As of August 15, 2007, the indigent defender boards in each judicial district were dissolved, and new law created within each judicial district an indigent defender fund which is now administered by the district public defender. New law provides that any surplus monies in the judicial district indigent defender fund on August 15, 2007, will be retained in that judicial district to be used solely and exclusively for purposes of delivering indigent defender services in that judicial district. In addition, effective August 15, 2007, the Indigent Defender Board will now be referred to as the Public Defender Office.

The District Board of the Twenty-Sixth Judicial District was approved by the judges of the District and was comprised of five members through August 15, 2007. The board members were not compensated for their services; however, they were eligible to obtain health insurance for which the Office paid the premium. After August 2007, all public defender offices in Louisiana are now offered oversight by a centralized Board located in Baton Rouge, Louisiana.

The Twenty-Sixth Judicial District Fund is domiciled in Bossier Parish, Benton, Louisiana. All records of proceedings and official actions (all paper, documents, and records) are kept in Benton, Louisiana.

The Twenty-Sixth Judicial District Public Defender Office employs 21 people. There are 18 employees at the Bossier Parish office and 3 employees at the Webster Parish office. All employees are salaried.

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying basic financial statements of the Twenty-Sixth Judicial District Public Defender Office have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

**Financial Reporting Entity**

For financial reporting purposes, in conformity with GASB Statement No. 14, the Twenty-Sixth Judicial District Public Defender Office was a part of the District Court System of the State of Louisiana. However, the state statutes that create the district boards also gave each of the boards control over all of their operations. This includes the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. The Public Defender Office is financially independent and operates autonomously from the State of Louisiana and independently from the District Court System. Therefore, the Office reports as an independent reporting entity and the financial statements include only the transactions of the Twenty-Sixth Judicial District Public Defender Office.

## 1. Summary of Significant Accounting Policies (Continued)

### Fund Accounting

The Public Defender Office uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain board functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds account for all of the Public Defender Office's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Office. The following are the Office's governmental funds:

**General Fund:** The General Fund is the primary operating fund of the Public Defender Office and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to board policy.

### Measurement Focus and Basis of Accounting

#### *Fund Financial Statements*

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of Public Defender Office operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Public Defender Office considers all revenues available if they are collected within 30 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available resources. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues:** Court costs on fines and forfeitures imposed by the district and city courts are recorded in the year they are collected by the tax collectors and city courts within the judicial district. Interest earned in investments is recorded when the investments have matured and the income is available. Grants are recorded as revenue during the period in which the related expenditures are incurred. Substantially all other revenues are recorded when received.

**Expenditures:** Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

1. **Summary of Significant Accounting Policies** (Continued)

***Government-Wide Financial Statements***

The column labeled Statement of Net Assets and the column labeled Statement of Activities display information about the Office as a whole. These statements include all of the financial activities of the Public Defender Office. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues included in the column labeled Statement of Activities are derived directly from board users as a fee for services. Program revenues reduce the cost of the function to be financed from the Office's general revenues.

The reconciliation of the items reflected in the fund column to the Statement of Net Assets and Statement of Activities are as follows:

|   |                 |
|---|-----------------|
| Fund Balance, Governmental Fund   | 414,073         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.  | 440,890         |
| Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds.  | <u>-</u>        |
| Net Assets of Governmental Activities   | <u>854,963</u>  |
| Excess of expenditures over revenues, Governmental Fund   | (29,480)        |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.   | -               |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | <u>(11,452)</u> |
| Change in Net Assets of Governmental Activities   | <u>(40,932)</u> |

**1. Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less from the date of acquisition. Under state law, the Public Defender Office may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**Investments**

Investments are limited by Louisiana Revised Statute 33:2955 and the Office's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Investments held at June 30, 2012 included \$321,226 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB codification 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAMP, a local government investment pool, is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment Grade (A-1/P-1) commercial paper of domestic United State corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with an excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets and their estimated fair market value at the date of donation. The Public Defender Office maintains a threshold level of \$2,500 or more for capitalizing capital assets. For capital asset additions over \$10,000, State Board approval is required.

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Description</u>                  | <u>Estimated Lives</u> |
|-------------------------------------|------------------------|
| Land improvements                   | 10-30 years            |
| Buildings and building improvements | 10-40 years            |
| Furniture and fixtures              | 5-15 years             |
| Computer equipment                  | 5 years                |
| Vehicles                            | 5 years                |

**Compensated Absences**

The Public Defender Office does not provide for the accumulation and vesting of paid leave beyond the year in which it is earned.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Estimates**

The preparation of financial statements in conformity in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**2. Budgets**

The Public Defender Office followed the following budget practices, as of June 30, 2012:

- (a) The Chief Defender prepares a proposed budget and submits same to the Louisiana Public Defender Board no later than fifteen days prior to the beginning of each fiscal year.
- (b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.



## 2. **Budgets** (Continued)

- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted.
- (d) Prior to August 15, 2007, budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated required the approval of the Board. Effective August 15, 2007 with the enactment of new law, these approvals are now submitted to Louisiana Public Defender Board.
- (e) Budgetary appropriations lapse at the end of each fiscal year.

The original budget was amended once for the year ended June 30, 2012.

## 3. **Cash and Cash Equivalents**

At June 30, 2012, the Public Defender Office had cash and cash equivalents (book balances) as follows:

|                                  |               |
|----------------------------------|---------------|
| Interest-bearing demand deposits | 57,430        |
| Petty cash                       | 100           |
|                                  | <u>57,530</u> |

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that, in the event of a bank failure, the Office's deposits might not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2012, the Public Defender Office had approximately \$57,530 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and/or a pledge of qualified U.S. Government (or its agencies) Securities.

## 4. **Investments**

Louisiana Revised Statutes and the Public Defender Office's investment policy govern the procedures to be followed and the types of allowable securities to be purchased by the board. Under state law, the Public Defender Office is authorized to invest in United States bonds, treasury notes, or certificates. The Office has no specific policy defining levels of risk and amounts of investments they invest at any given time. Investments are categorized into these three categories of credit risk:

- 1. Insured or registered, or securities held by the Public Defender Office or its agent in the Office's name.
- 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Office's name.
- 3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Office's name.

4. **Investments** (Continued)

Investments not subject to categorization include investments in an external investment pool. At June 30, 2012, the fair value/carrying amount was \$321,226.

5. **Receivables**

Receivables of \$55,609 at June 30, 2012 are classified as Program Revenues, Other Charges in the general fund.

All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made.

6. **Capital Assets**

Capital assets and depreciation activity as of and for the twelve months ended June 30, 2012, are as follows:

|                               | Beginning<br>Balance<br><u>6/30/11</u> | <u>Increase</u> | <u>Decrease</u> | Ending<br>Balance<br><u>6/30/12</u> |
|-------------------------------|--|-----------------|-----------------|-------------------------------------|
| Governmental Activities:      |  |                 |                 |                                     |
| Buildings and improvements    | 545,679                                | -               | -               | 545,679                             |
| Furniture and equipment       | <u>73,191</u>                          | <u>18,055</u>   | <u>19,071</u>   | <u>72,175</u>                       |
| Total                         | 618,870                                | 18,055          | 19,071          | 617,854                             |
| Less accumulated depreciation |  |                 |                 |                                     |
| Buildings and improvements    | 108,635                                | 15,227          | -               | 123,862                             |
| Furniture and equipment       | <u>57,893</u>                          | <u>14,280</u>   | <u>19,071</u>   | <u>53,102</u>                       |
| Total                         | <u>166,528</u>                         | <u>29,507</u>   | <u>19,071</u>   | <u>176,964</u>                      |
| Capital assets, net           | <u>452,342</u>                         | <u>(11,452)</u> | <u>-</u>        | <u>440,890</u>                      |

7. **Pension Plan**

Substantially all of the Public Defender Office's employees participate in the federal social security program. The Public Defender Office is required to remit an amount to the Social Security Administration equal to the employee's contribution. The Public Defender Office does not guarantee any of the benefits granted by the Social Security Administration.

The Twenty-Sixth Judicial District Public Defender Office established a SIMPLE Individual Retirement Account Plan for its employees effective May 1, 1998. Under the plan, an employee must be eligible to participate in any calendar year if he or she received at least \$5,000 of compensation from the employer during each of the two preceding calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Elective contributions are limited to \$11,500 for 2012, and may be matched by the employer. Under the arrangement, each eligible employee has the right to elect, during the 60-day period preceding the beginning of any calendar year, to participate in the arrangement for that calendar year or to modify the amount of his or her elective contributions for that year. An employee may terminate participation in the arrangement at any time during a calendar year. For the year ended June 30, 2012, the Public Defender Office satisfied its matching contribution requirement by electing to make matching contributions of 3% of compensation for each employee who was eligible to participate. The employee's right to both elective contributions and matching contributions is fully vested at all times. The plan does not contain any employer-imposed prohibition on withdrawals from the account. The amount of employer contributions for the period was \$9,844.

8. **Accounts, Salaries, and Other Payables**

The payables of \$20,292 at June 30, 2012 are considered to be accounts payable.

9. **Leases**

The Public Defender Office leases office equipment at both the Bossier and Webster locations. The Office incurred \$4,671 in rental expense for the twelve months ended June 30, 2012. The future minimum rental payments for the next five years are as follows:

|      |              |
|------|--------------|
| 2013 | 2,161        |
| 2014 | -            |
| 2015 | -            |
| 2016 | -            |
| 2017 | -            |
|      | <u>2,161</u> |

10. **Governmental Fund Revenues and Expenditures**

Revenues:

**State Government**

|                        |         |         |
|------------------------|---------|---------|
| Appropriations-general | -       |         |
| Appropriations-special | -       |         |
| Revenue sharing        | -       |         |
| Grants                 | 832,998 |         |
| On-behalf payments     | -       |         |
| Other                  | -       |         |
| Total                  |         | 832,998 |

**Local Government**

|  |         |         |
|--|---------|---------|
| Appropriations-general                                     | -       |         |
| Appropriations-special                                     | -       |         |
| Grants   | -       |         |
| Statutory fines, forfeitures, fees, court costs, and other | 811,384 |         |
| Taxes-mileages, sales, special, and other                  | -       |         |
| Criminal court fund  | -       |         |
| On-behalf payments   | -       |         |
| Other  | -       |         |
| Total  |         | 811,384 |

**Charges for Services**

55,497

**Investment earnings**

1,955

Total Revenues

1,701,834

Expenditures:

**Personnel Services and Benefits**

|                          |               |           |
|--------------------------|---------------|-----------|
| Salaries                 | 962,108       |           |
| Retirement contributions | 9,844         |           |
| Insurance                | 157,235       |           |
| Payroll taxes            | <u>79,613</u> |           |
| Total                    |               | 1,208,800 |

**10. Governmental Fund Revenues and Expenditures (Continued)**

**Operating Costs**

|                                  |                |         |
|----------------------------------|----------------|---------|
| Library and research             | 19,440         |         |
| Contract services-attorney/legal | 38,492         |         |
| Lease-autos and other            | 5,413          |         |
| Travel-transportation            | 11,004         |         |
| Travel-other                     | 2,938          |         |
| Insurance                        | 17,053         |         |
| Supplies                         | 9,605          |         |
| Repairs and maintenance          | 10,985         |         |
| Other                            | <u>369,237</u> |         |
| Total                            |                | 484,167 |

**Debt Service**

-

**Capital Outlay**

38,347

**Total Expenditures**

1,731,314

**11. Subsequent Events**

We evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available to be issued for potential recognition or disclosure in the financial statements. We evaluated such events through December 29, 2012 and noted no subsequent events.

**REQUIRED SUPPLEMENTARY INFORMATION**

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDER OFFICE

BUDGETARY COMPARISON SCHEDULE

FOR THE TWELVE MONTHS ENDED JUNE 30, 2012  
(Unaudited)

|   | <u>Original/<br/>Final<br/>Budget</u> | <u>Actual</u>    | <u>Positive<br/>(Negative)<br/>Variance<br/>with Final<br/>Budget</u> |
|---|---------------------------------------|------------------|---|
| <u>Revenues:</u>                            |                                       |                  |   |
| Fines and forfeitures                       | 831,148                               | 811,384          | (19,764)  |
| Fees from indigents                         | 51,832                                | 55,497           | 3,665   |
| State grants                                | 832,779                               | 832,998          | 219   |
| Interest income                             | <u>3,178</u>                          | <u>1,955</u>     | <u>(1,223)</u>  |
| Total revenues                              | 1,718,937                             | 1,701,834        | (17,103)  |
| <u>Expenditures:</u>                        |                                       |                  |   |
| Salaries                                    | 960,004                               | 962,108          | 2,104   |
| Computer software and expense               | -                                     | 655              | 655   |
| Employer contributions to<br>Simple IRA     | 9,920                                 | 9,844            | (76)  |
| Payroll taxes                               | 80,028                                | 79,613           | (415)   |
| Contract services and appointed<br>counsel  | 374,106                               | 330,338          | (43,768)  |
| Office supplies and expense                 | 10,215                                | 12,225           | 2,010   |
| Law library                                 | 19,685                                | 19,440           | (245)   |
| Telephone and utilities                     | 19,864                                | 15,969           | (3,895)   |
| Equipment rental and maintenance            | 13,481                                | 10,330           | (3,151)   |
| Travel and professional development         | 13,216                                | 21,658           | 8,442   |
| Court reports                               | 10,703                                | 8,507            | (2,196)   |
| Insurance                                   | 172,881                               | 175,046          | 2,165   |
| Capital outlay                              | 22,157                                | 38,347           | 16,190  |
| Other                                       | <u>35,425</u>                         | <u>47,234</u>    | <u>11,809</u>   |
| Total expenditures                          | <u>1,741,685</u>                      | <u>1,731,314</u> | <u>(10,371)</u>   |
| <u>Excess of revenues over expenditures</u> | (22,748)                              | (29,480)         | (6,732)   |
| <u>Fund balance at July 1, 2011</u>         | <u>443,553</u>                        | <u>443,553</u>   | <u>-</u>  |
| <u>Fund balance at June 30, 2012</u>        | <u>420,805</u>                        | <u>414,073</u>   | <u>(6,732)</u>  |

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDER OFFICE

NOTES TO BUDGETARY COMPARISON SCHEDULE

FOR THE TWELVE MONTHS ENDED JUNE 30, 2012  
(Unaudited)

1. Budget

Refer to Note 2 of the financial statements for details regarding the budget process.

2. Budget Variances

During the year ended June 30, 2012, actual interest income failed to meet budgeted interest income by 38% or more, actual office supplies and expense exceeded budgeted office supplies and expense by 20% or more, actual travel and professional development exceeded budgeted travel and professional development by 64% or more, and actual other expenditures exceeded budgeted other expenditures by 33% or more as follows:

|                                     | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------------------|---------------|---------------|-----------------|
| <b>Revenues:</b>                    |               |               |                 |
| Interest                            | 3,178         | 1,955         | (1,223)         |
| <b>Expenditures:</b>                |               |               |                 |
| Office supplies and expense         | 10,215        | 12,225        | 2,010           |
| Travel and professional development | 13,216        | 21,658        | 8,442           |
| Other                               | 35,425        | 47,234        | 11,809          |

The unfavorable variance in interest revenue is due to a declining market where high return rates are not currently present.

The unfavorable variance in office supplies and expense is due to the purchase of accessories for computers which were purchased during the current year.

The unfavorable variance in travel and professional development is due to increased spending on mileage reimbursements for traveling attorneys.

The unfavorable variance in other expenditures is due to the information technology support relating to the installation of newly purchased computers.

**OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***



# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 29, 2012

The Chief Defender  
Twenty-Sixth Judicial District Public Defender Office  
Bossier and Webster Parishes, Louisiana

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

We have audited the financial statements of the Twenty-Sixth Judicial District Public Defender Office (Office) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness.

**HMV**

A PROFESSIONAL SERVICES FIRM  
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Chief Defender, management, and the Office of the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

*Neard, McElroy & Vestal LLC*

TWENTY-SIXTH JUDICIAL DISTRICT  
PUBLIC DEFENDER OFFICE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Twenty-Sixth Judicial District Public Defender Office.
2. One significant deficiency is reported; it is considered to be a material weakness.
3. No instances of noncompliance material to the basic financial statements of the Twenty-Sixth Judicial District Public Defender were disclosed during the audit.
4. The Twenty-Sixth Judicial District Public Defender Office was not subject to a Federal Single Audit for the year ended June 30, 2012.

**B. Findings – Financial Statement Audit**

2012-01 Internal Controls with Regard to Financial Reporting

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or impractical.

Management feels the resolution to this finding would be both impractical and cost prohibitive.

**C. Findings and Questioned Costs – Major Federal Award Programs**

Not applicable.

TWENTY-SIXTH JUDICIAL DISTRICT  
PUBLIC DEFENDER OFFICE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012

**Prior Findings – Financial Statement Audit**

2011-01 Internal Controls with Regard to Financial Reporting

Internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated ability to perform these functions in-house.

This material weakness and control deficiency was repeated for the year ended June 30, 2012.

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDER OFFICE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2012

2012-01

Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or impractical.

Management feels the resolution to this finding would be both impractical and cost prohibitive.